

BUSINESS ADVANTAGES OF THE 2009-10 BUDGET

Governor Schwarzenegger insisted that this year's budget not deal solely with the state's finances, but that it also include an economic stimulus package for California that helps businesses here weather this difficult economy. The Governor was successful and the budget he signed includes provisions that will bring advantages to businesses up-and-down the state.

Long-Term Budget Reform Will Reduce Pressure For Future Tax Increases

- ✓ A real Rainy-Day Fund is part of the Governor's plan for long-term, real reform that will contribute to California's long-term economic stability. Increasing California's budget stabilization account will provide more predictable and stable revenues over the long-term. By capturing excess revenues in good years and saving them in an air-tight fund for use only in the bad years, this budget reform will prevent budget crises of the severity California has faced this year. Ultimately this stability will give business owners the confidence that corporate taxes will not be continuously increasing.
 - This provision must go before voters and will appear on the May 19 special election ballot.

Elective Single Sales Factor Will Level The Tax Playing Field For California Businesses

California's current method for assessing taxes on businesses penalizes California companies that employ Californians and have operations in California but conduct a significant amount of their sales outside the state. That's because our tax system weighs a company's payroll, property, and sales when apportioning taxes – effectively taxing a company more *because* it is doing business here and employing people here rather than in another state.

- ✓ By establishing a permanent elective single sales factor (allowing companies to choose to weigh only sales made in a state not property or payroll to determine corporate taxes owed), we will level the tax playing field between California companies and those in other states.
- ✓ This will encourage companies to keep jobs here, expand here, and relocate to California.
- ✓ At least 20 other states have converted to a single-sales factor method for at least some industries.
- ✓ This incentive will go into effect January 1, 2011.

"New Hire" Tax Credit Will Reward California Businesses Who Are Hiring When We Need It Most

A temporary tax incentive will target small businesses that create new California jobs in the coming two years. This credit is intended to complement existing job creation tax credits the state offers to employers in geographically targeted "enterprise" and other zones.

- ✓ In 2009 and 2010, California employers that began the year with 20 or fewer employees will be able to claim a \$3,000 income tax credit for each new, full-time employee they hire.
- ✓ Estimated to save small businesses \$330 million in 2009-10 and help create thousands of jobs.
- ✓ Ends the quarter after \$400 million in credits have been allocated.

Fully Funding The Employment Training Panel

The Employment Training Panel (ETP) is the state's sole discretionary economic incentive; it provides financial reimbursement to California businesses to train employees.

✓ The 2009-10 budget fully funds the ETP by allowing the full allotment of employment training funds to solely support the ETP program. This year ETP estimates it can award \$168 million worth of worker training contracts, a 75 percent increase from total contract value awarded last budget year.

Page 1 of 1 02/23/09

Employee Schedule Flexibility Will Benefit Both Employees And Employers

Current labor law locks most employees into a 5-day, 40-hour workweek. This reform will make it easier to work alternative schedules such as a 4-day-per-week, 10-hour day schedule without incurring overtime.

- ✓ It also allows employees, with employer consent, to change from one schedule option to another on a weekly basis.
- ✓ This will help avoid layoffs and pay cuts during this economic downturn.
- ✓ These minor changes in law clarify one of the state's litigious employment issues. Businesses will benefit from a reduction in expensive legal cases seeking to clarify this issue.

Runaway Film And TV Production Tax Credit To Benefit All Related Businesses

Tax incentives will lure television and movie production back to California where it belongs.

- ✓ For the next five fiscal years, the California Film Commission will certify and administer a tax credit for new production in the state or production that returns to California from another state. The credit will be equal to 20 percent of expenditures in the state related to the film production, and 25 percent for production returning to the state and independent films. It will be capped at \$100 million per year.
- ✓ This is about much more than actors and directors it's a benefit to the small businesses such as make-up artists and caterers who rely on film production for their business.

Home-Buyer Tax Credit To Lure Buyers Back Into The Housing Market

Helps protect jobs by encouraging homebuyers back into the market through a new incentive: a tax credit on the purchase of a new (never been occupied) home. 1.6 million jobs in California rely on building, buying, remodeling, and furnishing homes.

- ✓ The credit will be equal to 5 percent of the home's value, up to \$10,000, and distributed over three years. The amount of credits offered by the state will be capped at \$100 million.
- ✓ The purchase must be made between March 1, 2009 and March 1, 2010, and the purchaser must live in the home as a principle residence.

Public-Private Partnerships and Design-Build Authority Will Save Businesses Time And Money

Tapping into private money for needed transportation projects will mean more jobs created more quickly and needed infrastructure built at a savings to the taxpayer. This budget includes:

- ✓ Unlimited P3 for state transportation projects (no Legislative approval required).
- ✓ 10 statewide Public-Private Partnerships allocated to Local Redevelopment Agencies through the Public Works Board.
- ✓ Public Infrastructure Advisory Commission: established within the Business, Transportation and Housing Agency to advise the CA Department of Transportation, as well as regional transportation agencies, in developing transportation projects through performance-based infrastructure partnerships.

The design-build process expedites construction projects by shortening the lengthy bid process. Through this process, jobs will be created now, rather than months or years down the line.

- ✓ 10 statewide Design-Build projects allocated for public transportation (no Legislative approval required).
- ✓ 5 Design-Build projects allocated to Department of General Services through Department of Finance for courts, prisons and/or office buildings (Legislative approval required).
- ✓ 5 local Design-Build projects allocated to local governments for non-high-way projects through the California Transportation Commission.

Streamlining CEQA Permitting Will Generate Jobs And Economic Activity More Quickly

Will accelerate tens of thousands of jobs-in-waiting into 2009-10 year by speeding up construction projects.

Page 2 of 1 02/23/09

- ✓ For surplus state property and for \$1.4 billion in transportation projects through 2010, a California Environmental Quality exemption and permitting process streamlining to pump money into the economy faster. The Caldecott Tunnel and Highway 50 projects are included in this amount.
- ✓ Creates 25,000 jobs more quickly by exempting \$1.4 billion in specified transportation projects from CEQA review as long as the lead agency does not change the scope of the project.
- ✓ Streamlines the environmental permitting process for specified transportation projects. Through a public process, a panel comprised of administration agency secretaries will coordinate actions of permitting agencies to help reduce or eliminate unnecessary conflict, delay, duplication, overlap, or paperwork associated with the issuance of multiple permits. There will be a 45-day clock on reviewing permits.

Carl Moyer Program Enhancements

Allows the agriculture industry to access state funds provided by the Carl Moyer program for tractors used in agriculture for a longer period of time in an effort to encourage greater program participation.

Construction Industry Regulatory Relief

Modifies existing air quality regulations to provide temporary relief to the construction industry and other users of heavy-duty equipment, which have been hit hard by the state's housing and economic crisis.

Protecting The Business Provisions From The 2008-09 Budget (Signed September 23, 2008)

Within negotiations, the Governor ensured that positive changes for businesses made in last year's budget were carried over into this year's.

- ✓ Effective January 2010, businesses will be able to share business tax credits among a related group of affiliate or subsidiary companies (known as unitary utilization). This allowance provides increased flexibility to companies to allocate tax credits within their family of companies.
- ✓ Economic Stimulus Measures
 - Expedites the allocation and disbursement of existing transportation and housing bond funds to stimulate economic growth and job creation immediately.
 - Authorizes new lease revenue bonds to accelerate capital outlay projects for higher education.
 - Provides flexibility in overtime laws to exempt high-paid software engineers in the competitive technology industry from overtime rules.

Page 3 of 1 02/23/09